

Message Text

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INFORM CONSULS

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SUBJECT:CURRENT ECONOMIC DEVELOPMENTS: MULTILATERAL TRADE
NEGOTIATIONS

1. SUMMARY. WITH THE PASSAGE OF THE TRADE ACT OF 1974,
PREPARATIONS FOR THE MULTILATERAL TRADE NEGOTIATIONS
(MTNS) WILL MOVE INTO HIGH GEAR. THIS CABLE GIVES
DEPARTMENT VIEWS ON KEY ISSUES IN THE NEGOTIATIONS AND
P,-LIMINARY COUNTRY POSITIONS. END SUMMARY.

2. TRADE NEGOTIATIONS WERE OFFICIALLY INAUGURATED MORE
THAN A YEAR AGO, IN SEPTEMBER 1973, AT TOKYO. GATT
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COMMITTEES AND WORKING PARTIES WERE ESTABLISHED TO PREPARE
FOR THE NEGOTIATIONS, BUT THE WORK WENT INTO SLOW MOTION
WHILE COUNTRIES WAITED FOR PASSAGE OF US AUTHORIZING
LEGISLATION. THE TRADE ACT OF 1974 HAS FINALLY BEEN

PASSED AND THE TEMPO WILL NOW PICK UP. THE FORTHCOMING MEETING OF THE TRADE NEGOTIATING COMMITTEE ON FEBRUARY 13 WILL SERVE AS THE REAL BEGINNING OF THE MTNS.

3. ECONOMIC CONDITIONS HAVE CHANGED SINCE THE INITIAL COMMITMENT TO COMPREHENSIVE TRADE NEGOTIATIONS WAS MADE AS PART OF THE 1971 SMITHSONIAN AGREEMENT. INFLATION, RECESSION, RISING UNEMPLOYMENT, THE STAGGERING OIL PRICE INCREASE, BALANCE OF PAYMENTS DEFICITS, AND MOUNTING DEBT PREOCCUPY COUNTRIES. AS A RESULT, WE CAN EXPECT MOST

COUNTRIES TO BE CAUTIOUS ABOUT UNDERTAKING FURTHER SIGNIFICANT TRADE LIBERALIZATION IN THE IMMEDIATE FUTURE.

4. A SLOW PACE INITIALLY SHOULD NOT BE OF CONCERN, HOWEVER. THE IMPORTANCE OF THE TRADE NEGOTIATIONS AT THIS POINT LIES AS MUCH IN THE NEGOTIATING PROCESS ITSELF AS IN THEIR POTENTIAL ECONOMIC IMPACT. IT WILL HELP DIFFUSE PROTECTIONIST PRESSURES, DISCOURAGE UNILATERAL ACTIONS TO RESTRICT IMPORTS OR STIMULATE EXPORTS IN RESPONSE TO ENERGY INDUCED PROBLEMS, DISCOURAGE DISCRIMINATORY BILATERAL DEALS TO ASSURE ACCESS TO SUPPLIES, AND MAINTAIN CONFIDENCE THAT THE WORLD TRADING SYSTEM CAN CONTINUE TO FUNCTION UNDER STRESS.

5. OUR OBJECTIVE IN THE NEGOTIATIONS IS TO MAINTAIN THE MOMENTUM OF TRADE LIBERALIZATION WHILE SEEKING TO MAKE MORE COMPREHENSIVE AND EFFECTIVE THE RULES GOVERNING INTERNATIONAL TRADE. MUCH OF THE REFORM IN THE SYSTEM WILL COME ABOUT THROUGH AGREEMENTS ON NONTARIFF BARRIERS TO TRADE SUCH AS NEW RULES ON EXPORT SUBSIDIES. OTHER REFORMS, SUCH AS RULES ON SUPPLY ACCESS, ARE MORE LIKELY TO EVOLVE OUT OF THE NEGOTIATING PROCESS ITSELF.

6. OUR SPECIFIC TRADE LIBERALIZING OBJECTIVES ARE:
A SIGNIFICANT REDUCTION OF TARIFFS IN LINE WITH THE
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AUTHORITY GRANTED IN THE TRADE ACT; REDUCTION OR ELIMINATION OF NONTARIFF TRADE BARRIERS; AGREEMENT ON PRINCIPLES OF SUPPLY ACCESS AND AGREED RULES ON THE USE OF EXPORT CONTROLS; AGREEMENT ON SAFEGUARD PROVISIONS AND CONSULTATIVE PROCEDURES PERMITTING US TO TAKE APPROPRIATE ACTION IN CASES OF SPECIFIC MARKET INJURY.

7. AS ACTUAL NEGOTIATIONS GET UNDERWAY, THE INITIAL ISSUES TO BE ADDRESSED WILL BE PRIMARILY PROCEDURAL, ALTHOUGH THE MANNER IN WHICH THEY ARE RESOLVED WILL HAVE IMPORTANT SUBSTANTIVE IMPLICATIONS. THESE ISSUES INCLUDE: HOW THE NEGOTIATIONS ARE TO BE STRUCTURED,

INCLUDING THE ROLE OF AGRICULTURE IN THE NEGOTIATIONS, AND THE EVENTUAL RELATIONSHIP TO THE MTNS OF ANY GRAINS NEGOTIATIONS FOLLOWING THE WORLD FOOD CONFERENCE; THE APPROACH TO BE ADOPTED FOR TARIFF CUTTING, PARTICULARLY THE DEGREE OF HARMONIZATION TO BE AIMED FOR; THE METHOD OF INTERRELATING NTB AND OTHER CONCESSIONS TO THE TARIFF NEGOTIATIONS; AND PROCEDURES TO BE ADOPTED, IF ANY, FOR TAKING LDC PROBLEMS AS A WHOLE INTO ACCOUNT.

8. AS THE PROCEDURAL ISSUES GIVE WAY TO AGREEMENT, PARTICIPANTS WILL BEGIN TO PROBE FOR UNDERSTANDINGS ON SUBSTANTIVE PROBLEMS. AS IDENTIFIED IN THE SEPTEMBER 1973 TOKYO DECLARATION AND EXPLORED IN SPECIFIC STUDY GROUPS OF THE TRADE NEGOTIATING COMMITTEE SINCE THAT TIME, THESE INCLUDE TARIFFS, NTB'S, AGRICULTURE, TROPICAL PRODUCTS, SECTORS, SUPPLY ACCESS, AND SAFEGUARDS. THE DEPARTMENT'S ASSESSMENT OF THE SPECIFIC ISSUES IN EACH FUNCTIONAL CATEGORY AND THE APPROACHES OF THE MAJOR PARTICIPANTS TO THESE ISSUES IS GIVEN BELOW.

9. TARIFFS. OUR BASIC APPROACH WILL BE TO ACHIEVE SUBSTANTIAL ACROSS-THE-BOARD TARIFF LIBERALIZATION. ALTHOUGH IT WILL BE NECESSARY TO EXCEPT CERTAIN PRODUCTS FROM THE GENERAL TARIFF REDUCTIONS, OUR HOPE IS THAT BOTH THE US AND OTHER PARTICIPANTS CAN KEEP THE EXCEPTIONS TO A MINIMUM.

10. PREFERENTIAL ACCESS FOR LDC'S WILL BE GRANTED UNDER THE AUTHORITY TO PROVIDE GENERALIZED DUTY-FREE TARIFF LIMITED OFFICIAL USE
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PREFERENCES (GSP) TO DEVELOPING COUNTRIES, RATHER THAN IN THE MULTILATERAL TRADE NEGOTIATIONS. WE WILL, HOWEVER, CONSIDER MAKING SPECIAL CONCESSIONS ON A NON-PREFERENTIAL BASIS IN THE MTN'S, SUCH AS MAXIMUM POSSIBLE CUTS ON ITEMS OF SPECIAL INTEREST TO LDC'S.

11. WE HAVE LITTLE INFORMATION REGARDING THE SPECIFIC NEGOTIATING MANDATES OF PARTICIPANTS OTHER THAN THE EC. NONE HAS PROPOSED A TARIFF CUTTING FORMULA OR INDICATED THE RANGE OF ACCEPTABLE TARIFF CUTS. JAPAN IS KNOWN TO FAVOR MAXIMUM REDUCTIONS IN TARIFFS WORLD-WIDE. THE EC'S MANDATE, HOWEVER, STATES THAT ITS OBJECTIVE WILL BE A REDUCTION OF AT LEAST 50 PERCENT FOR DUTIES OVER 25 PERCENT, WITH MAXIMUM DUTIES OF 20 PERCENT, AND AN OVERALL AVERAGE REDUCTION OF TARIFFS OF FROM 25 TO 50 PERCENT. IN EFFECT, THE EC WILL CONTINUE TO PUSH ITS PREFERRED APPROACH OF TARIFF HARMONIZATION, THAT IS, THE HIGHER THE DUTY, THE GREATER THE CUT.

12. NON-TARIFF BARRIERS (NTB'S). MOST NTB'S ARISE FROM

DIFFERENCES IN DOMESTIC SOCIAL AND ECONOMIC GOALS. WHAT IS NEEDED IS TO EXAMINE HOW COUNTRIES CAN ACHIEVE THEIR GOALS WITH A MINIMUM DISTORTION OF TRADE. A VARIETY OF APPROACHES ARE POSSIBLE, INCLUDING REGULAR CONSULTATION ARRANGEMENTS, CODES OF CONDUCT, AND PRAGMATIC AGREEMENTS ON SPECIAL PRODUCTS OF PARTICULAR INTEREST TO COUNTRIES. WE WILL SEEK A CONSENSUS THAT INITIAL ATTENTION BE GIVEN TO THREE NTB'S: SUBSIDIES AND COUNTERVAILING DUTIES;

PRODUCT STANDARDS; AND GOVERNMENT PROCUREMENT. THESE BARRIERS AFFECT MOST INDUSTRIALIZED COUNTRIES; COVER TO SOME EXTENT BOTH AGRICULTURAL AND INDUSTRIALIZED PRODUCTS; AND LEND THEMSELVES TO COOPERATIVE SOLUTIONS. SUBSIDIES AND COUNTERVAILING ACTION AGAINST THEM ARE HIGHLY CONTENTIOUS ISSUES. TO DE-POLITICIZE THESE, EXISTING AMBIGUOUS RULES NEED TO BE CLARIFIED AND NEW RULES DEVELOPED. NEW PRODUCT STANDARDS, PARTICULARLY THOSE ADOPTED IN A REGIONAL CONTEXT, CAN CREATE NEW NTB'S UNLESS GENERAL PRINCIPLES ARE ACCEPTED. GOVERNMENT PURCHASES ARE A LARGE AND GROWING SECTOR IN INDUSTRIAL ECONOMIES. GREATER OPENNESS IS NEEDED IN GOVERNMENT LIMITED OFFICIAL USE
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PROCUREMENT PROCEDURES AND REDUCTION IN PREFERENCES FOR DOMESTIC SUPPLIERS.

13. WHILE MOST COUNTRIES ARE EAGER TO HAVE THE US CHANGE ITS COUNTERVAILING DUTY LAW, THE EC, JAPAN AND CANADA HAVE ONLY RECENTLY, AND HESITANTLY, INDICATED A WILLINGNESS TO LOOK SERIOUSLY AT THE RELATED SUBSIDY PROBLEM. CANADA, JAPAN AND THE US HAVE A COMMON INTEREST IN HAVING RULES DEVELOPED ON PRODUCT STANDARDS. THE EC IS RELUCTANT TO PROCEED FASTER IN INTERNATIONAL DELIBERATIONS ON STANDARDS AND GOVERNMENT PROCUREMENT THAN IN ITS INTERNAL HARMONIZATION OF MEASURES IN THESE AREAS.

14. WE BELIEVE THAT FOR THESE NTB'S AND OTHERS OF GENERAL APPLICABILITY, BALANCED AGREEMENTS CAN BE NEGOTIATED AMONG THE INDUSTRIALIZED COUNTRIES. EACH COUNTRY WOULD ACHIEVE RECIPROCITY BY UNDERTAKING COMPARABLE OBLIGATIONS AND OBTAINING COMPARABLE BENEFITS. WHERE FULL RECIPROCITY CANNOT BE ACHIEVED WITHIN A PARTICULAR NTB AREA, IT MAY BE NECESSARY TO TRADE OFF PROGRESS IN ONE NTB AREA AGAINST PROGRESS IN ANOTHER NTB AREA. SOME COUNTRIES DOUBT THAT A BALANCE IS POSSIBLE. THUS, THE EC CONSIDERS THAT THE UNITED STATES WITH ITS FEDERAL FORM OF GOVERNMENT AND CONSEQUENT INABILITY TO CONTROL ACTIONS OF STATE AND LOCAL GOVERNMENTS WOULD BE UNDERTAKING A LESSER OBLIGATION WITH RESPECT TO GOVERNMENT PROCUREMENT AND STANDARDS. FURTHERMORE, THE EC'S DISENCHANTMENT WITH WHAT IT CONSIDERS US FAILURE TO COMPLY WITH THE ANTI-

DUMPING CODE NEGOTIATED IN THE KENNEDY ROUND HAS LED IT TO DOUBT THE FEASIBILITY OF A CODE APPROACH TO SOLVING NTB PROBLEMS.

15. EVEN IF NEGOTIATIONS INITIALLY FOCUS ON OUR THREE PRIORITY NTB'S, WE WOULD EXPECT OTHER COUNTRIES TO INTRODUCE OTHER BARRIERS INTO THE NEGOTIATIONS, SUCH AS

US PRACTICES ON ANTI-DUMPING, CUSTOMS VALUATION (E.G. AMERICAN SELLING PRICE), MARKS OF ORIGIN, AND THE DISC. IF THE US WERE TO MODIFY THESE PRACTICES, WE WOULD NEED TO OBTAIN RECIPROCAL CONCESSIONS IN OTHER AREAS FROM OUR TRADING PARTNERS.

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16. DEVELOPING COUNTRIES SEEK PREFERENTIAL TREATMENT IN NTB SOLUTIONS. SUCH TREATMENT MAY BE POSSIBLE FOR PARTICULAR NTB'S AFTER THE NORMS ARE ESTABLISHED. PRIORITY ATTENTION ON A MOST-FAVORED-NATION BASIS MIGHT BE POSSIBLE ON BARRIERS OF MOST SIGNIFICANCE TO LDC'S, SUCH AS QUANTITATIVE RESTRICTIONS, SANITARY REGULATIONS, ETC. WE WOULD EXPECT LDC'S TO MAKE CONTRIBUTIONS THAT ARE CONSISTENT WITH THEIR DEVELOPMENT, FINANCE AND TRADE NEEDS. FOR EXAMPLE, IT MAY BE POSSIBLE FOR SOME LDC'S TO MODIFY, TO THEIR OWN BENEFIT, REGULATIONS ON SUCH MATTERS AS IMPORT DOCUMENTATION AND CONSULAR FORMALITIES, IMPORT LICENSING, AND DISCRIMINATORY BILATERAL AGREEMENTS.

17. AGRICULTURE. WE HOPE IN THE MTNS TO BE ABLE TO MAKE PROGRESS TOWARD NEUTRALIZING CONFLICTS ON AGRICULTURAL POLICIES THAT OTHERWISE CAN BECOME, AS THEY ALREADY HAVE ON OCCASION, A SOURCE OF SERIOUS INTERGOVERNMENTAL FRICTION. THE PRECISE WAY THIS CAN BE ACCOMPLISHED IS STILL UNCLEAR, AND DEFINITE RESOLUTIONS TO THE KEY NEGOTIATING ISSUES MAY BE FOUND ONLY AFTER THE MAJOR MTN PARTICIPANTS HAVE PROBED ALL ASPECTS OF THEIR RESPECTIVE POSITIONS.

18. MAJOR AGRICULTURAL EXPORTERS LIKE CANADA, AUSTRALIA, AND NEW ZEALAND SHARE US OBJECTIVES IN SEEKING IMPROVED MARKET ACCESS, AS DO THE LDC'S AND EASTERN EUROPEANS FOR THE MOST PART. THE MAJOR IMPORTERS, ON THE OTHER HAND, -- THE EC AND JAPAN -- ARE NOT ANXIOUS TO COMMIT THEMSELVES TO AGRICULTURAL LIBERALIZATION. THEY WILL CONCENTRATE THEIR EFFORTS ON OBTAINING SUPPLY SECURITY AND PRICE STABILITY. THEY THUS VIEW MTN OBJECTIVES IN AGRICULTURE AS BEING SUBSTANTIALLY DIFFERENT FROM THOSE IN INDUSTRY. IN THE DEPARTMENT'S VIEW, THE US WILL HAVE TO ACCORD SIGNIFICANT WEIGHT TO BOTH STABILITY AND MARKET ACCESS IN FRAMING PROPOSALS FOR AGRICULTURAL TRADE.

19. INTERNALLY, WE MUST DECIDE HOW TO DEVELOP THE NECESSARY

LEVERAGE FOR NEGOTIATING LIBERALIZATION. OUR MAJOR TRADING PARTNERS HAVE LITTLE TO GAIN FROM LOWER US BARRIERS TO AGRICULTURAL IMPORTS, EXCEPT IN THE DAIRY SECTOR. WE WILL HAVE, THEREFORE, TO BRING LEVERAGE FROM THE INDUSTRIAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SECTOR TO BEAR ON AGRICULTURAL NEGOTIATIONS, OR USE ACCESS TO US FOOD SUPPLIES AS A BARGAINING CHIP OR BOTH.

20. TROPICAL PRODUCTS. THIS IS AN AREA OF TRADE OF PRIORITY INTEREST TO LDC'S. THEY WANT THE CATEGORY TO EMBRACE VIRTUALLY ALL AGRICULTURAL PRODUCTS EXPORTED BY LDC'S. WE HAVE TOLD THE DEVELOPING COUNTRIES THAT WE WOULD BE WILLING TO BEGIN IMMEDIATELY THE SUBSTANTIVE PHASE OF THE NEGOTIATIONS ON NON-COMPETING TROPICAL PRODUCTS, SUCH AS COFFEE, COCOA, BANANAS, IN THEIR PRIMARY FORM AND THROUGH SOME AGREED LEVEL OF PROCESSING. WE WOULD NOT EXPECT TO NEGOTIATE ON COMPETING PRODUCTS, SUCH AS COTTON, RICE, TOBACCO, EXCLUSIVELY IN THE TROPICAL PRODUCTS AREA. THE EC HAS SAID IT WANTS TROPICAL PRODUCTS TREATED IN NEGOTIATIONS ON AGRICULTURE IN GENERAL. A MAJOR EC CONSIDERATION IS TO PRESERVE ITS PREFERENTIAL TRADE RELATIONSHIP WITH ITS ACP PARTNERS.

21. SECTORS. SECTOR-BY-SECTOR NEGOTIATIONS PROVIDE A MEANS OF ACHIEVING TRADE LIBERALIZATION THROUGH THE COORDINATED REDUCTION OF ALL BARRIERS THAT HINDER TRADE IN A PARTICULAR SECTOR. THIS TECHNIQUE CAN BE PARTICULARLY USEFUL WHERE TARIFF BARRIERS AND NTB'S ARE CLOSELY INTERRELATED AND ARE USED IN DIFFERENT COMBINATIONS BY DIFFERENT COUNTRIES. IT MAY ALSO PROVIDE A MEANS OF DEALING WITH SPECIAL PROBLEMS THAT MAY ARISE IN A PARTICULAR SECTOR AS A RESULT OF LIBERALIZATION. THE TRADE ACT OF 1974 REQUIRES THAT THE NEGOTIATIONS SHALL, TO THE EXTENT FEASIBLE AND BENEFICIAL TO THE UNITED STATES, BE CONDUCTED ON THE BASIS OF APPROPRIATE PRODUCT SECTORS.

22. WE SEE THE SECTOR APPROACH AS A SUPPLEMENT TO THE ACROSS-THE-BOARD APPROACH AS A MEANS OF ACHIEVING MAXIMUM OVERALL LIBERALIZATION. IN LINE WITH THAT APPROACH WE WOULD ENVISION SECTOR NEGOTIATIONS OCCURRING AT A LATER STAGE OF THE NEGOTIATIONS. OTHER COUNTRIES, SUCH AS CANADA, TEND TO VIEW THE SECTOR-BY-SECTOR APPROACH AS AN ALTERNATIVE TO ACROSS-THE-BOARD NEGOTIATIONS.

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23. SUPPLY ACCESS. WE WILL TRY TO USE THE MTN AS A FORUM FOR RESOLVING PROBLEMS OF FAIR ACCESS TO SUPPLIES TO THE EXTENT THIS IS FEASIBLE. OUR OBJECTIVE WILL BE TO: IMPROVE THE SECURITY OF OUR OWN SUPPLIES; PROVIDE A MULTILATERAL ALTERNATIVE TO BILATERAL DEALS AS A SOLUTION TO COUNTRIES' SUPPLY ACCESS CONCERNS; AND ESTABLISH A FRAMEWORK FOR EFFECTIVELY USING OUR OWN POTENTIAL LEVERAGE AS A SUPPLIER, PARTICULARLY OF AGRICULTURAL PRODUCTS, TO OBTAIN TRADE CONCESSIONS OF INTEREST TO US. AT THIS POINT SEVERAL KEY ISSUES STILL NEED TO BE RESOLVED BEFORE WE CAN MOVE FORWARD.

24. SUPPLY ACCESS HAS NOT BEEN THE SUBJECT OF EARLIER TRADE NEGOTIATIONS AND COUNTRIES LACK EXPERIENCE IN DEALING WITH IT IN A MULTILATERAL OR ANY OTHER CONTEXT. MAJOR EXPORTERS, SUCH AS CANADA, AUSTRALIA, AND THE LDCS, ARE WARY OF ATTEMPTS TO FOCUS ON THE SUPPLY SIDE OF WORLD TRADE PROBLEMS. THEY WISH TO RETAIN FULL FREEDOM TO USE THEIR ECONOMIC LEVERAGE. THE LDCS IN PARTICULAR CONSIDER SUPPLY TO BE THEIR MAJOR BARGAINING CHIP IN THE WORLD ECONOMIC AND POLITICAL GAME. THE MAJOR CONSUMING NATIONS WILL NEED TO JOIN IN CONVINCING THE PRODUCERS THAT THEY HAVE MORE TO GAIN BY USING THEIR BARGAINING POWER IN A MULTILATERAL CONTEXT WITH AGREED GROUND RULES.

25. SAFEGUARDS. WE ARE SEEKING THE ADOPTION OF PRINCIPLES THAT WOULD INTRODUCE GREATER UNIFORMITY IN GOVERNMENT MEASURES TO DEAL WITH PROBLEMS CAUSED BY EXCEPTIONALLY RAPID GROWTH OF IMPORTS. ALL THE PARTICIPANTS AGREE ON THE NEED FOR ACTION ON THE SAFEGUARD QUESTION DURING THE MTN. JAPAN'S MAIN CONCERN IS THE POSSIBILITY THAT THE APPLICATION OF SAFEGUARDS MAY BE MADE DISCRIMINATORY TO THE DISADVANTAGE OF JAPAN. THE EC BELIEVES PRESENT GATT RULES (ARTICLE XIX) ARE SUFFICIENT BUT HAS AGREED TO DISCUSS ADDITIONAL MEASURES; IT CAN BE EXPECTED TO PRESS FOR THE EXCLUSION OF AGRICULTURAL PRODUCTS FROM ANY CODE THAT MIGHT BE DEVELOPED. THE LDCS WANT DIFFERENTIATED TREATMENT FOR THEIR EXPORTS UNDER WHATEVER CODE IS DEVELOPED. OUR PRESENT THINKING IS THAT THE SAFEGUARD SYSTEM SHOULD COVER ALL PRODUCTS AND BE NON-DISCRIMINATORY IN NATURE. WE ARE SYMPATHETIC TO THE LDCS DESIRE FOR DIFFERENTIATED TREATMENT BUT HAVE NOT REACHED LIMITED OFFICIAL USE
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ANY FIRM POSITION ON WHAT MIGHT BE POSSIBLE.

26. CONCLUSION. THERE IS BROAD CONSENSUS AMONG MAJOR PARTICIPANTS ON THE RANGE OF ISSUES TO BE ADDRESSED BUT, AS NOTED ABOVE, THEIR STARTING POSITIONS ARE BY NO MEANS CONGRUENT. IN MANY CASES, BARGAINS CAN BE STRUCK ONLY IF PARTICIPANTS ARE PERSUADED THAT THE ACHIEVEMENT OF OVERALL

AGREEMENT OUTWEIGHS THE COST OF ACCEPTING SIGNIFICANT
COMPROMISES IN PRINCIPLE OR POLICY. THE CHOICES AVAILABLE
TO US WILL, THEREFORE, EMERGE ONLY AS THE NEGOTIATIONS
UNFOLD, AND THE OUTLINE OF POTENTIAL COMPROMISES WHICH WE
AND OTHER KEY PARTICIPANTS CAN ACCEPT BECOMES CLEARER.
THE DECISIVE ELEMENT IN THE ENTIRE NEGOTIATION, OF COURSE,
WILL BE THE SCOPE OF UNDERSTANDINGS WE WILL BE ABLE TO
ACHIEVE WITH THE EC, WHICH IN TURN IS A FUNCTION OF THE
EC'S OWN ABILITY TO REACH INTERNAL AGREEMENT. OUR
NEGOTIATORS WILL THUS NEED TO RETAIN A HIGH DEGREE OF
NEGOTIATING FLEXIBILITY, BOTH WITH RESPECT TO THE TIMING
AND SUBSTANCE OF OUR CONCESSIONS. BROWN

NOTE BY OC/T: POUCHED TUNIS.

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